LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7776
BILL NUMBER: SB 503

NOTE PREPARED: May 15, 2007
BILL AMENDED: Apr 29, 2007

SUBJECT: Disproportionate Share Hospitals and Health.

FIRST AUTHOR: Sen. Miller
FIRST SPONSOR: Rep. C. Brown

BILL STATUS: Enrolled

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State and Local

Summary of Legislation: *Hospital Payment Changes:* The bill makes funding changes to the Hospital Care for the Indigent (HCI) Program, the Municipal Disproportionate Share (DSH) Program, and the Medicaid Indigent Care Trust Fund.

Hospital Care for the Indigent Property Tax Levy Revisions: The bill amends the formula in determining a county's HCI property tax levy and the applicable years.

The bill requires the Department of Insurance and the Office of the Secretary of Family and Social Services to study and make final recommendations to the Legislative Council not later than November 1, 2008, concerning: (1) a plan to provide health insurance to specified uninsured individuals; and (2) a health insurance program that would require local units of government, school corporations, and other public employees to join together to purchase health insurance. It also requires the Office of the Secretary of Family and Social Services to study and make final recommendations to the Legislative Council not later than November 1, 2008, concerning the viability of keeping families who are eligible for different state health care assistance plans together under the same health care plan.

The bill requires the Health Finance Commission, during the 2007 interim, to study specified issues concerning the Indiana Tobacco Use Prevention and Cessation Program and certain health coverage reimbursement rates and premium costs.

Effective Date: Upon passage; July 1, 2007.

Explanation of State Expenditures: *HCI Program and DSH Changes:* The bill would freeze hospital

payments under the HCI program at FY 2007 levels. It would also allow hospitals to once again, discontinue submitting claims for the HCI program to the Office of Medicaid Policy and Planning (OMPP) for processing. Hospitals were required to resume submitting claims for purposes of calculating the county property tax levy requirements in FY 2004. OMPP would also realize a decrease in claims processing volume as a result. By way of reference to the volume of work involved, OMPP had approximately 30,922 applications for reimbursement under the HCI program in FY 2006; 11,320 hospital claims were processed for a total amount of $31.3 M priced at Medicaid reimbursement rates. Hospitals are not currently reimbursed for claims; rather they receive HCI add-on payments leveraged for federal reimbursement available within the Medicaid program.

The bill provides that HCI physician and emergency transportation claims would continue to be submitted, processed, and reimbursed for services up to a maximum amount of $3 M per year. This group submitted 30,968 claims that were priced at Medicaid reimbursement rates for $4.4 M in FY 2006. Since the pool of dollars available for reimbursement for this group is capped at $3 M, in FY 2006 each provider's claims were proportionally reduced and paid at approximately 67.86% of the Medicaid rate for the services provided. HCI program administration costs are also payable from the Fund.

The bill specifies that the remainder of the HCI funds after the $3 M for physicians and transportation services, the $30 M transfer to Medicaid, and the program administration costs are to be transferred to the Medicaid Indigent Care Trust Fund to be used to make supplemental hospital payments under the HCI, privately-owned hospital upper payment level (UPL) program and other supplemental payment programs. OMPP is authorized to transfer $30 M annually from the Medicaid Indigent Care Trust Fund to the Medicaid program. (Currently, OMPP transfers $21 M.) In 2007, the gross HCI levy is estimated to raise $61.2 M. Additional funds due to annual growth in the HCI levy would be directed to supplemental hospital payment programs as specified by the bill after the required HCI program expenses and the $30 M transfer to the Medicaid program.

The bill specifies a methodology for privately-owned hospital supplemental payment levels for FY 2006 and FY 2007. The total private hospital supplemental UPL payments for FY 2007 and thereafter are to be capped at the FY 2007 level. After FY 2007, the bill allows the Office flexibility to make Medicaid supplemental hospital payments and DSH payments in the manner that best utilizes the available nonfederal share of the funding.

OMPP is required to apply to the U.S. Department of Health and Human Services for approval of an amendment to the state's upper payment limit program and to make changes to the state's DSH program.

Medicaid Reimbursement: The Medicaid Program is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. The CHIP program receives enhanced federal reimbursement of approximately 74%. The state share of the CHIP Program is approximately 26% for medical services. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

FSSA & DOI Reporting Requirements: The bill requires the Department of Insurance and the Secretary of FSSA to study and make a recommendation to the Legislative Council regarding a plan to provide health insurance to individuals who are uninsured and who have incomes above 200% of the federal poverty level. The Secretary of FSSA is also required to study and make a recommendation to the Legislative Council regarding the viability of keeping family members separately eligible for Medicaid, CHIP, or other state

health care assistance together under the same health care plan. The Department of Insurance and the Office of the Secretary of FSSA should be able to perform these requirements within the level of resources available.

Health Finance Commission: The bill also requires the Health Finance Commission to study the effectiveness of the Indiana Tobacco Use Prevention and Cessation Program and whether the Program should be transferred to the State Department of Health. During the 2006 interim, the Health Finance Commission spent approximately $7,800 and held two meetings. Legislative Council resolutions in the past have established budgets for interim study committees in the amount of $16,500 per interim for committees with 16 members or more, such as the Health Finance Commission.

Explanation of State Revenues: HCI collections are transferred by the counties to the state HCI Fund for reimbursement of eligible physician and transportation provider claims up to an amount of $3 M. The balance of the fund is transferred to the Medicaid Indigent Care Trust Fund.

(See *Explanation of State Expenditures* for Medicaid revenue.)

Explanation of Local Revenues: *HCI Property Tax Levy Changes:* Under current law, the property tax levy payable in 2008 for the HCI fund in each county is equal to the 2007 levy multiplied by the three-year average growth in the county's assessed value. For taxes payable in 2009 and later, the levy would have been equal to a three-year rolling average of payable claims attributed to the county, subject to a maximum levy based on the county's assessed value growth.

This bill removes the computational link to payable claims. Under this bill, beginning with taxes payable in 2008, the levy for a year will equal the previous year's levy, increased by the statewide average assessed value growth quotient (AVGQ). The statewide AVGQ is actually an income-based index equal to the six-year average growth rate in Indiana nonfarm personal income. The AVGQ is 4.0% in CY 2007, and is estimated at 3.8% in CY 2008, 4.3% in CY 2009, and 4.6 % in CY 2010.

The maximum levy under current law is estimated at $63.7 M for 2008, $66.3 M for 2009, and $69.0 M for 2010. The estimated levy under this bill is estimated at $63.5 M for 2008, $66.2 M for 2009, and $69.3 M for 2010.

State Agencies Affected: FSSA; Department Of Insurance.

Local Agencies Affected: Local government-owned hospitals.

Information Sources:

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